State of Nevada
Department of Business & Industry

Director's Office
555 East Washington Avenue, Suite 4900
Las Vegas, Nevada 89101
Phone (702) 486-2750, Fax (702) 486-2758
www.dbi.state.nv.us

FOR IMMEDIATE RELEASE
SEPTEMBER 28, 2005
CONTACT SUE ECKHARDT, DEPUTY COMMISSIONER
NEVADA MORTGAGE LENDING DIVISION, (702) 486-0788

State issues fines for unlicensed, high-risk mortgage investment ads

Sept. 26, the Nevada Mortgage Lending Division (MLD) issued a Cease and Desist Order to Nancy Nash and Palace Worldwide Enterprises for advertising that they can provide mortgage loans to borrowers, as well as investments in private mortgages earning returns of up to 16 percent.

Neither Nash nor Palace Worldwide Enterprises are licensed to conduct mortgage broker activity. Nash was licensed as an agent with All Fund Mortgage, but was not conducting the business of private mortgages through her affiliation with the licensed mortgage broker.

The order alleges that Nash through her affiliation with All Fund Mortgage would encourage borrowers with equity in their homes to pull that equity out in the form of a first or second mortgage and invest the proceeds with Palace Worldwide Enterprises or Nash's other affiliated companies.

Four separate unauthorized advertisements were submitted as evidence to MLD examiners. Under Nevada law, all mortgage-related advertisements must have MLD's prior authorization. In the ads, Nash represented a certain percent as "guaranteed annually, without risking principal" and "released equity in the home would be used to provide a monthly income through the collateral of principal in a 100% paid-for building." The advertisements are in violation of state law, because the advertisements represent that the investment is guaranteed, secured or protected in a manner which an individual knows to be false or misleading.

Nash and Palace Worldwide Enterprises are ordered to pay an administrative fine of $40,000, the maximum allowable for the four violations, and have 20 days in which to request a hearing.

MLD Commissioner Scott Bice cautions investors who invest in private mortgages to check on the person and entity offering a high rate of return and consider the risks of the investment: "Private mortgage investments carry certain risks just as any investment that offers a high rate of return."

According to Bice, higher rates of return can be offered if the borrower enters into a mortgage to pay a high rate of return. With current fixed-interest rates offered at traditional lending sources hovering around 6 percent, the risks of lending money to a borrower are credit risk and loan to values on the property. An investor needs to assess the credit worthiness of the borrower and the viability of the property as collateral to recoup the principal in the event of borrower default.

Bice cautions potential investors that when money in the form of equity is taken out of a house through a mortgage, then rolled into an investment that offers higher returns, the risk is compounded for several reasons:

- You are investing with borrowed funds. The mortgage will have to be paid whether or not the invested monies are offering a return or the investment loses money.
- You could lose your home, if you are relying on the returns of the investment to make your mortgage payment, and the investment stops paying.
- Your decision to invest in a mortgage should be based on the same reasons that a traditional lender would use to assess the risks of loaning money. Consider credit worthiness and appraisal of the property to determine the value of the collateral.

For information on mortgage brokers, mortgage bankers and their agents licensed to conduct business in Nevada, call MLD Deputy Commissioner Sue Eckhardt at (702) 486-2788, or log on to www.mld.nv.gov.

-END-